LEARNING FROM THE PAST

Proven ways to protect your brand during a crisis

A JWT Folk perspective

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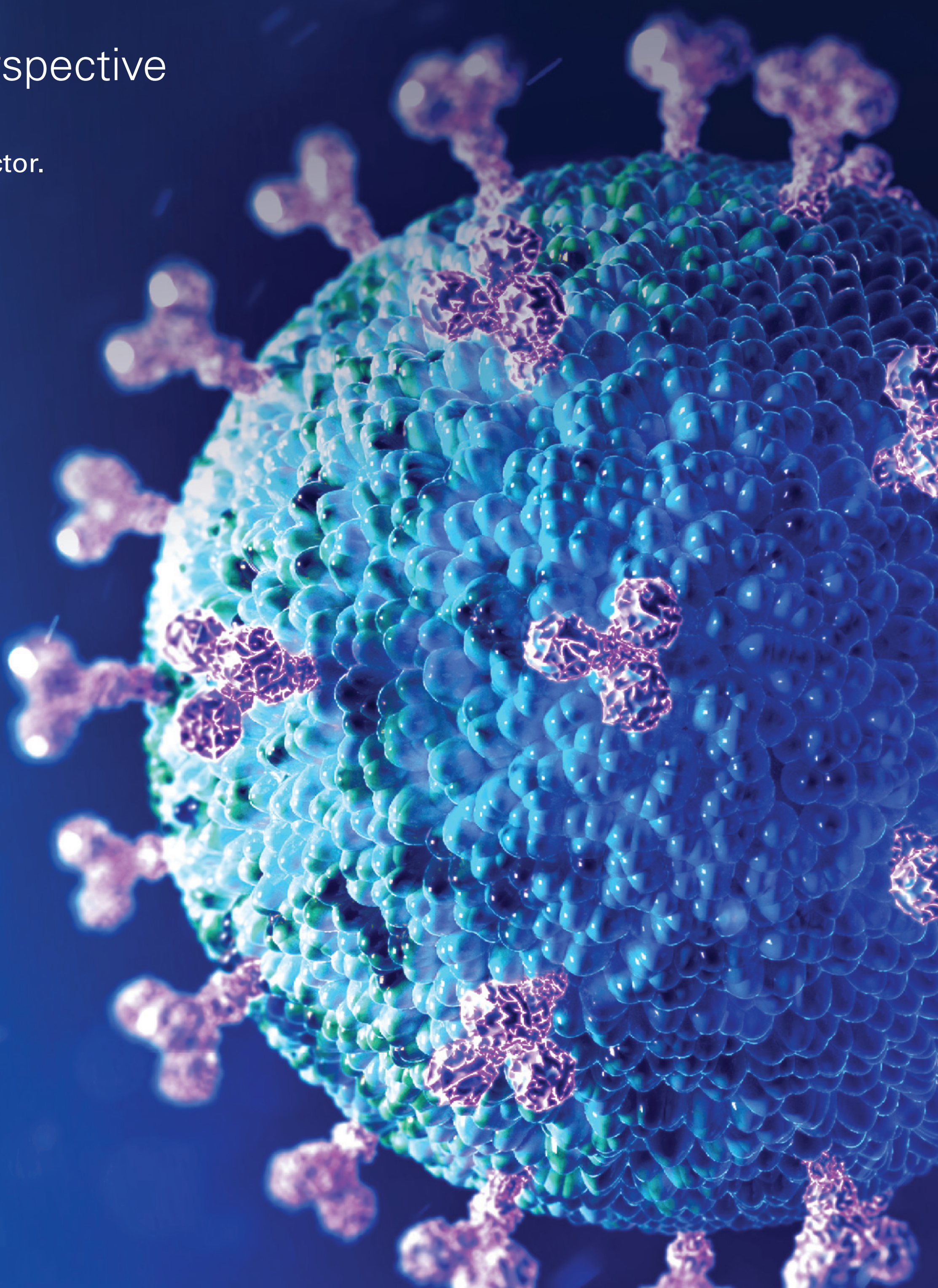

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When times are good, you should advertise. When times are bad, you must advertise.

The COVID-19 emergency has forced an unprecedented response from the marketing industry; whether it's closing our physical doors and keeping the show on the road remotely, re-evaluating 2020 plans through the new lens of consumer uncertainty, identifying new and innovative ways to support our customers when they are at their most vulnerable, or fighting to protect our budgets, or indeed our ability to trade at all. The impact has been immediate. And immense.

We now need to re-assess how best to manage our brands through this crisis period. For those brands fortunate enough to maintain trading at this difficult time, we need to establish how to respond to the COVID-19 emergency, while simultaneously plan for growth in the recession we know with certainty is coming.

As marketers, we need to quickly revise the marketing plan to reflect our new operating conditions. We need to convince the board to preserve the marketing budget, in order to protect the brand equity we have worked so hard to build, and position for us for growth in the challenging times ahead. And we need to tread carefully, maintaining a strong brand presence while being sensitive to the changing consumer landscape as the COVID-19 emergency unfolds.

To inform how best to navigate the weeks and months ahead, we have undertaken a comprehensive review of how successful brands have navigated previous crises. We have looked at the best practice literature and brand performance following disasters such as SARS, and recessions from the 1920s through to the global financial crisis of 2008. And we have reviewed the early learnings from China, Hong Kong and Italy, following the proliferation of the COVID-19 outbreak.

The result is six golden rules which must be followed, to ensure brands remain leaders in their respective categories and deliver growth throughout what will be a challenging economic landscape.

Do not cut marketing spend

Economic uncertainty can often elevate the importance of the finance director's balance sheet above the marketing director's budget.

If all brands cut their marketing spend there would, in theory, be no impact on core brand metrics. However, in reality, some brands will continue to invest in marketing throughout the COVID-19 crisis, while others will make short-term spending cuts.

So what are the implications?

As some brands reduce their spend, the "noise level" in their category can diminish. Therefore, maintaining spend at pre-crisis levels affords brands the opportunity to win share of voice, and often at reduced rates, as can be expected during a recession.

McGraw-Hill's research on the 1985 recession shows that brands which maintained or increased their advertising budgets experienced a 256% increase in sales compared with companies that cut their spend. Similarly, data from Millward Brown at the time of the financial crash in 2008 identified that 60% brands that stopped spending on tv advertising for a period of six months or more recorded a decline in at least one of either brand use and brand image.

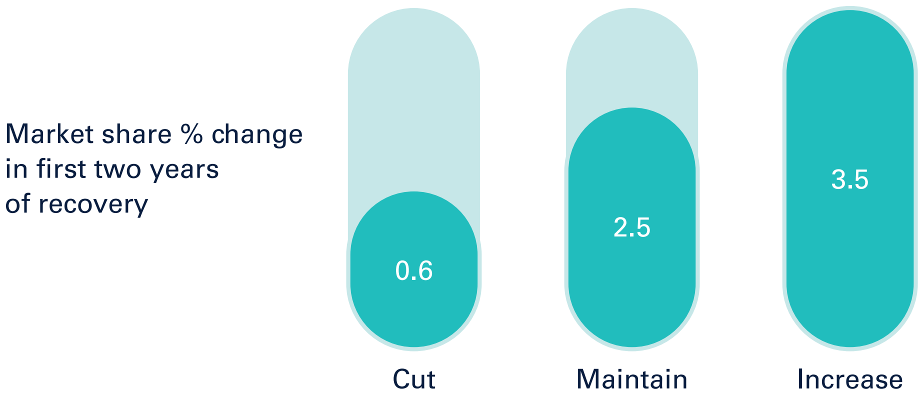
Tellis & Tellis conducted a notable review of seven empirical studies in 2009, following the financial crash of the preceding year, and consistently found a direct correlation between the level of advertising spend and sales / market share. These studies suggest there is strong and consistent evidence that reducing advertising spend during a recession hurts sales both during and after the recession period, without generating any substantial increase in profits. On the other hand, maintaining advertising spend during a recession increases sales both during and after the recession period. Moreover, the evidence consistently shows that the decision to increase or reduce advertising spend during the recession persisted to impact business results for several years after the recession period.

This is explained by the fact that, following a cut in advertising spend, brands will continue to benefit from the investment they made in preceding years. Brand equity will not disappear overnight, simply because the brand has become quiet. However, this disguises the negative impact of reducing spend on business performance, and any short-term improvements to profitability will therefore be misleading.

According to Millward Brown, the longer-term business impact of reducing spend will not be noticed at first. The evidence shows that cutting marketing spend to zero for just one year, before returning to usual levels, takes sales figures five years to recover.

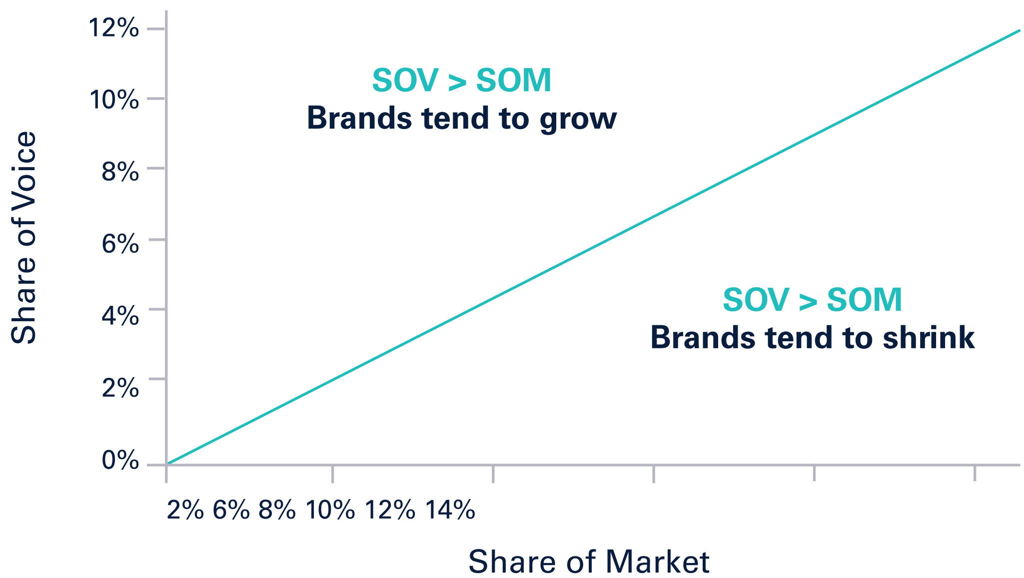
Put simply, a review of the empirical research available shows that the single most critical factor in explaining market share changes is excess share of voice (ESOV = SOV - SOM). Brands that maintain SOV at or above SOM will grow, while those spending below it will shrink.

Marketing spend (as % of market size)



Source: Les Binet & Peter Field, *Media in Focus: Marketing Effectiveness in The Digital Era, IPA.*

The Relationship Between Share of Voice (SOV) and Share of Market (SOM)



Source: Les Binet and Peter Field, *Media in Focus:Marketing Effectiveness in the Digital Era*,IPA.

This holds true in both buoyant and depressed economies. And analysis of past crisis periods highlights the effect in practice. For example, when the economic downturn hit the US in the early 1970s following the energy crisis, Toyota adhered to its long-term strategy and maintained advertising spend, unlike the other car manufacturers at the time. It subsequently surpassed Volkswagen and became the top imported car maker in the US by 1976. Similarly, during the recession of the early 90s, Pizza Hut and Taco Bell took advantage of McDonald's decision to drop its advertising spend. Pizza Hut increased sales by 61% and Taco Bell sales grew by 40%, while McDonalds sales declined by 28%.

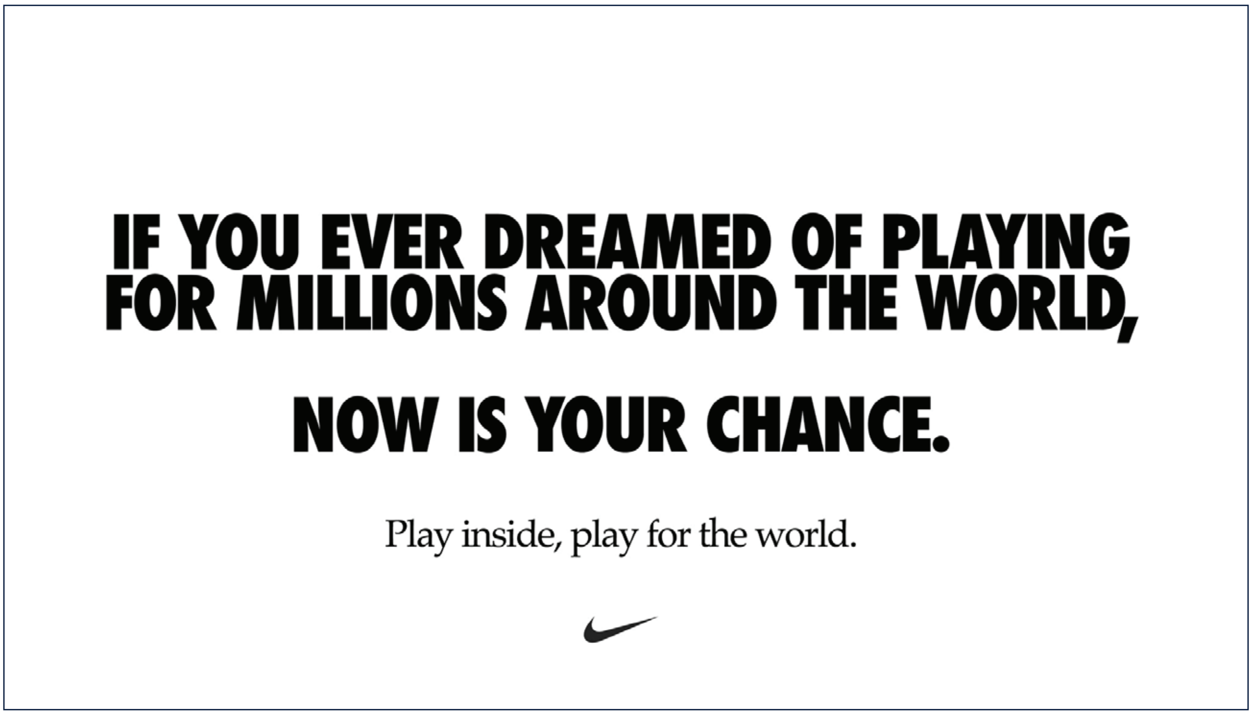
Yet according to the IPA's 2015 report, ESOV fell sharply after the 2008 crash, suggesting that brands have yet to learn this lesson. As the old adage goes, "When times are good, you should advertise. When times are bad, you must advertise."

Rule 2

Building brand equity remains critical, even when times are tough

When the impending recession hits in the wake of the COVID-19 outbreak, we can expect short-termism to become more of a challenge. It is natural for companies to descend into survival mode, reducing costs across the balance sheet wherever possible.

While we don't yet have the IPA's Bellwether report for Q1 2020, analysis of earlier publications from periods facing into expected recessions gives us a good indication of the brand behaviour we can expect in 2020. The Bellwether Report for Q4 2018, in the wake of an anticipated recession in 2019, found business confidence to be falling, coupled with an increase in short-term marketing spend, and a decrease in longer-term budget allocations. The same held true in 2008 as brands faced into the fallout from the financial crisis. We can therefore expect this trend to be mirrored in post COVID-19 environment.



Yet the work of Binet & Field has proven the negative impact of favouring short-term tactical marketing over brand building comms. As a rule of thumb, the optimum balance for marketing investment is 60:40 in favour of brand to tactical sales. And there is a negative impact on effectiveness if brands stray too far from this rule.

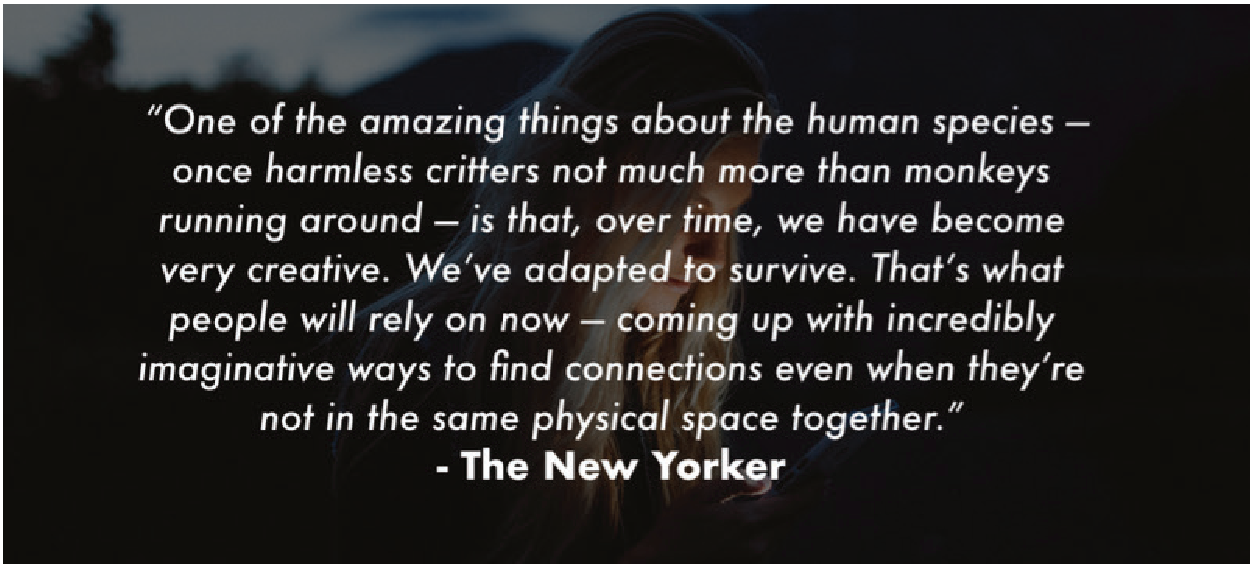
If a brand invests 100% of the marketing budget in brand communications, there is a 20% loss of effectiveness. But the brand will remain strong, and can correct that at a moment's notice by simply upping the spend on activation. But if a brand goes to the other extreme, and directs the budget towards tactical sales, there is a 56% loss in effectiveness. As the brand weakens, this loss in effectiveness will get bigger. And there is no quick come back from this - it takes time and a lot of money to recover.

The experiences of the automotive industry attest to this. Following the widespread use of price promotions to engage consumers in periods of recession, consumers quickly came to expect incentives before they would purchase a new car, even when economic conditions improved. They therefore lose their efficiency as a generator of incremental sales and ended up reducing profitability.

Following the financial crash in 2008, most brands cut brand building work, in favour of driving short-term sales. But that simply isn't an appropriate response today, because brands either cannot meet the demand for their product as a result of panic buying, or they have significantly reduced demand, potentially impacting their ability to trade at all.

Therefore, brands that continue to invest in advertising during this crisis should focus on long-term brand building because that investment will ultimately support recovery.

Abandon linear planning cycles



Early learnings from Italy indicate that the brands succeeding in the wake of the COVID-19 outbreak are those which have continued to closely monitor the environment and, during the epidemic growth phase, adapted their communications to remain relevant, while maintaining the brand equity that already existed.

Rather than the more linear planning processes we have become used to, planning during COVID-19 needs to shift to scenario planning. And as Rex Briggs, Founder of Marketing Evolution, points out, both business and marketing teams need to formulate these plans together. "Do you expect a V-shaped recession, or maybe not a recession, but a V-shaped recovery? Maybe a mild recession? Maybe a severe recession?" he continued. "You can come up with your own set of scenarios, but the question you should be asking is, 'How do we want to come back at the end of transition?'

Proprietary learning from GroupM in Italy has identified this new planning roadmap for COVID-19 as having three phases:

Phase 1: Crisis

During this phase brands must evaluate the impact of social restrictions and reduced mobility, and redefine the role of communication for their brand. Maintaining share of voice, particularly when competitors may be pulling, will better position the brand for the recovery period.

Phase 2: Recovery

Despite learning from China, much is still unknown about the recovery trajectory. Brands must develop alternative plans for the post crisis period, when competitors will try to consolidate and strengthen their share of voice. It may be a while before "normality" is back, so a strong understanding of the impact of COVID-19 on consumer sentiment and the ways in which it will have a lasting impact is key.

Phase 3: New Normal

Existing plans for 2020 can be abandoned. A "new normal" will evolve in the coming months, and when it does, the brands that will continue to thrive are those prepared for growth. We can expect an environment in which many brands will start to reintroduce advertising, postponed from the crisis period. Those that have successfully adapted through the crisis period will be best positioned to take a leadership position in the new normal to come.

To navigate this journey, the marketing function needs to embrace real-time planning, which is defined as:

- Being present and updated on what is happening, prepared to offer new perspectives during the crisis, into the recovery period and in the post recovery recession period
- Understanding how people feel, avoiding blind optimism, and adapting to people's changing emotions
- Managing the balance between the consumer need to stay informed while equally needing spaces in which to "disconnect"
- Knowing how to be useful, relevant and acting in the public interest
- Capable of adapting communication formats and messaging to reflect the new norm.

It is more important now than ever before to understand how consumers are feeling, how the crisis has changed their definitions of value and how their behaviours are changing in response to the impending recession. Consumers are quick to draw conclusions about brands when it comes to their personal perceived protection and safety, and any seemingly infallible brand and its reputation can be dealt a major blow within a short span of time. Grab Share, a carpooling service in Singapore, was one of the first brands to suspend services in response to consumer concern for their own personal safety. Conversely Ant Financial in China was quick to respond to the needs of small business customers by reducing interest rates for business loans by 10% for 1.8 million small business owners in Hubei.

Therefore research tools which afford quick and unfiltered insight into the changing consumer mindset should be prioritised over more traditional techniques. And insights should be used to activate real-time communication from brands, informing appropriate content, language and tone of voice.

Develop a crisis-time messaging framework

The look, feel and tone of brand communications during the crisis period needs to be sensitive to the way consumers are feeling, and the prevailing environment of uncertainty. The traditionally positive and aspirational messaging many brands favour will fall flat with a consumer audience preoccupied by coronanxiety and genuine fears for their livelihood.

KFC pulled an ad in the UK which focussed on "finger-licking" amidst complaints to the Advertising Standards Authority that it was inappropriate at a time when good hand hygiene is critical. And Coors cancelled a planned campaign entitled "Official Beer of 'Working' Remotely". The ad originally played off the idea of people blowing off work in order to watch basketball games. As more and more companies implement remote working policies, the ad was cancelled lest it be perceived as insensitive and tactless.

However, it is important for brands to remain true to their inherent vision, purpose and values. So while there is a need to adapt messaging, it will be a fine balancing act to ensure the brand maintains a strong brand identity.

We have seen some strong examples of brands quick to take positive action to alleviate the growing anxieties of the consumer population, while remaining true to their core brand principles. Lidl in Ireland was quick to introduce designated hours specifically for the elderly and more vulnerable members of society. And An Post is using it's existing services to help people stay in touch with loved ones who are self-isolating by offering to send cards for free.

Rule 4

Behavioural economics has taught us that framing is often more important than messaging itself. Therefore, brands do not necessarily need to abandon their usual message. Rather, they need to put a new frame around it.

A simple crisis-specific messaging framework, reflecting the brand's fundamental position, but adapted within the context of COVID-19, will greatly assist in ensuring all crisis-period communications are appropriate yet effective. It should contain one headline message and no more than three concise supporting messages, reinforced by tangible actions and CSR initiatives.

In building out this messaging framework, brands ought to ask themselves three questions:

1. Consumer – what circumstances are the brand's consumers currently facing as a result of COVID-19?
2. Relevance – in what ways can the brand assist consumers at this critical time, both in the immediate term and in the recovery environment?
3. Differentiation – what sets the brand apart from competitors during this crisis period?

A messaging framework developed along these lines will ensure the brand's values, purpose, and activities are clearly articulated in all decisions and communication, both internally and externally. Such single-minded clarity is needed to navigate this period of protracted uncertainty, and will provide a simple and clear structure against which to assess proposed communications.

Shift communications from "selling" to "supporting" by actually doing

Every consumer in Ireland has been impacted by the COVID-19 outbreak. There are no exceptions. Consumers are unable to resume their normal lives, whether it's adapting to remote work, caring for children who would otherwise be in school, or worried about elderly relatives who have been forced into self-isolation for their own protection. Day-to-day routines no longer exist. It is a once-in-a-lifetime event that has shattered consumer expectations of stability and continuity.

Maintaining an advertising presence throughout the COVID-19 emergency enables brands to demonstrate their strength, and will be perceived by consumers as a sign of stability. Indeed, in the impending recession, brands that sustain a positive profile will show consumers that they are strong enough not only to survive, but to take a leadership position in the challenging times ahead.

Just Eat pledges €1 million support package for restaurant sector

Just Eat today announced an investment package worth a total of €1 million in an attempt to support the struggling restaurant sector amid the ongoing coronavirus crisis.

Naturally, sensitivity is required to avoid being perceived as attempting to exploit the crisis. There has been much discussion in the industry about the benefits of being a purpose-led brand. And we know the importance for brands on this trajectory to support their claims with tangible evidence of the actions they are undertaking to genuinely make a difference.

The COVID-19 emergency provides the perfect market conditions for brands to showcase their purpose in an authentic way. There are no more boundaries between crisis, institutional, purpose and sustainable communications. Rather, there is an opportunity for brands to take a leadership position, and support consumers through this challenging time. But, this requires doing something that will actually make a difference.

Take the response of these brands in Hong Kong. When public hospitals were under-equipped with protection gear, the Li Ka Shing Foundation donated 250k face masks and protective gowns to hospital staff and those in need. AXA and Ping An Insurance launched free medical coverage for frontline medical staff. When the government couldn't provide enough face masks for people, HKTV Mall slashed its sales commission on masks from 25% to 5%. Harbour City reduced up to 50% of shopping mall rent for its' tenants. Standard Chartered Bank allowed it's consumers to repay interest-only on outstanding loans for the next six months.


Balenciaga, Saint Laurent and H&M to produce surgical masks in the fight against coronavirus

Fashion brands are stepping up

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Closer to home, Lidl and Aldi were the first grocery retailers to provide designated shopping periods for the elderly, with a view to protecting them. Sainsbury's are prioritising elderly and disabled people in deliveries. Chelsea FC owner Roman Abramovich has offered NHS staff free accommodation at the Chelsea hotel. Hema hired more than 2k idle employees from restaurants that had suspended their operations. Mint Mobile is offering all new and current customers free unlimited high-speed data add-ons. Facebook has committed $100m to small businesses to weather the economic downturn caused by the coronavirus outbreak. And Amazon Alexa and Google Assistant have implemented a "Coronavirus" skill to provide access to useful information for recognizing symptoms, transmission methods and prevention provisions.

While PR is certainly important in helping to tell this story, once a brand has identified actions it can legitimately effect, it is critical to ensure these actions are authentic, and will genuinely make a difference to the suffering consumer population.

Which begs one question. What can your brand do that will genuinely help?

Embrace innovation

Analysis of previous crisis periods has shown that brands who innovate in the wake of changing consumer demands and needs, will prosper. In the wake of the financial collapse in 2008, brands such as Netflix, Lego, Amazon, and Dominos grew significantly by showing an in-depth understanding of the changing landscape and investing and innovating accordingly. While many of their competitors clung on to pre-existing business models, these innovative brands delivered value in new ways.

Take Amazon as an example. According to Forbes, Amazon sales grew by 28% in 2009. The tech company continued to innovate with new products during the recession, and notably developed Kindle products which helped to grow market share. On Christmas Day 2009, Amazon customers bought more e-books than printed books for the first time ever. Amazon ultimately managed to reposition itself as a technological innovator by identifying a sustained demand for books by consumers who had considerably less disposable income to spend on them.

The current crisis is no different. There will be a recession in the weeks and months ahead, and it is still unknown the degree to which it will impact on consumers, or for how long. And this presents opportunities for innovation. As Cameron O'Connor notes, "innovation isn't a spark of genius, an exclusively techie thing or the sole responsibility of a special innovation department with highly paid consultants and a director of innovation, it's a boring old repetitive process".

There are some great examples of brands that have been quick to innovate in the wake of the COVID-19 emergency. Beer company Brewdog began making hand sanitiser to combat shortages in the UK. Produced at its distillery in Aberdeenshire, the brand said it would be giving away its "punk sanitiser" hand gel for free to those that need it. East London's Signature Brew announced they will pay musicians who have had their gigs cancelled to deliver "The pub in a box" packs. Packs contain the brewer's core range of beers, along with glasses, mats, a vinyl record, a pub quiz, a playlist and some snacks. And O'Neills, better known for the manufacture of sportswear, are currently producing more than 100k scrubs for the health services north and south of the border.

During times of significant change it is more important than ever to embrace innovation by moving towards iterative delivery cycles, staying close to consumer sentiment and the changing landscape, integrating the consumer into the innovation process, and adopting a "test and learn" approach.

Keep swimming

As the legendary Seth Godin once said, “We’ve greatly exaggerated the risk of sinking, without celebrating the value of swimming.” And while the context under which he spoke these words has undoubtedly changed, the sentiment holds true.

Now is not the time to stand still. Now is not the time to descend into panic, cut budgets, and wait cowering the in wings until our competitors do something.

Now is the time to hold our nerve.

We need to maintain our commitment to marketing. We need to stay close to our consumers, and monitor the impact of the COVID-19 crisis on both consumer attitudes and the economic landscape. We need to plan in a more agile way to respond to the current crisis period, while equally planning for growth in the impending recession we know will follow. We need to safeguard our brand positioning, albeit adapting our messaging to remain sensitive in the current climate. And we need to embrace new ways of doing things, and delivering new solutions to our consumers. And above all, we need to take positive action.

In short, it’s time to swim.

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